

Research Article

Aligning the Private Sector in Fostering Excellent Economic Growth in Sierra Leone

***^aSantigie Abu Kamara, ^bErnest Udeh and ^cAlusine Alphonso Kamara**

^{a-c}Institute of Public Administration and Management, University of Sierra Leone, Sierra Leone

*Corresponding Author Email: santigieakamara7@gmail.com

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Abstract

The private sector's essential role in driving Sierra Leone's economic development and prosperity has recently come under increasing scrutiny. Businesses of all sizes and industries make up the private sector, which can increase investment, generate jobs, foster innovation, and make a big dent in poverty. The path to economic growth in Sierra Leone depends on understanding and utilizing the private sector's potential. The private sector mainly facilitates economic development and sustained economic growth. The private sector has had a substantial impact recently, and Sierra Leone has benefited dramatically from its enormous contribution. Eradicating poverty in most African nations will remain a complex war to win shortly, and support from the private sector and foreign aid is not dependable due to numerous unpredictability. Additionally, because many people who still live in extreme poverty do so in fragile and remote environments, it becomes harder to reach them as a result of the disparity in development between urban and rural areas. Additionally, improvement is frequently transient for individuals who have recently emerged from poverty: food shortages, economic shocks, and climate change might all too easily yoke them back into it. As we move closer to the 2030 agenda, it will be crucial to identify effective strategies to address these problems.

Keywords: Sierra Leone Economic Growth, Private Sector Potentials, Aligning, Fostering Excellent Growth.

Introduction

West African country Sierra Leone has a turbulent past marked by civil wars, political unrest, and economic difficulties. Although the nation has great potential in terms of natural resources and human capital, it has battled for years to create sustained economic growth and raise the standard of living for its people. The private sector's essential role in driving Sierra Leone's economic development and prosperity has recently come under increasing scrutiny. Businesses of all sizes and industries make up the private sector, which can increase investment, generate jobs, foster innovation, and make a big dent in poverty. The path to economic growth in Sierra Leone depends on understanding and utilizing the private sector's potential. The private sector mainly facilitates economic development and sustained economic growth. The private sector has had a substantial impact recently, and Sierra Leone has benefited dramatically from its enormous contribution. The private sector may significantly advance the nation if provided with the right conditions (Agyeman-Duah, 1990; Adebajo *et al.*, 2004).

Therefore, the private sector is a crucial sector that can provide sufficient funding for government initiatives, increasing the country's overall development, foreign exchange revenues, national output, employment, and employment rates. The economy benefits from the private sector's contributions to taxes, employment, the provision of foreign exchange, the creation of compensation, and the development of the marketing environment, all crucial for establishing a suitable accounting system that will work in harmony. This article aims to clarify the role of the private sector, which is defined as that portion of the economy that is owned, managed, and operated by private individuals or entities as opposed to by the government or the public sector (Lin, 2015).

Several economic challenges, including high unemployment rates, climate change and environmental degradation, poverty and inequality, a lack of human capital, a lack of financial and management skills, limited access to financial services, inadequate infrastructure, and an overreliance on traditional sectors, has

hampered the country's efforts to achieve sustained economic growth and social progress. Due to its ability and resource limitations, the public sector cannot handle all of these issues independently. As a result, it is essential to investigate and comprehend the private sector's function in promoting economic development and progress and to establish strategies for entirely using its potential. Due to its limited resources, the government must rely on the private sector to supply goods and services promoting sustainable development in Sierra Leone (Lin, 2015).

The journal's primary goal is to investigate the private sector's contribution to Sierra Leone's economic growth. Additionally, the private sector's contribution to Sierra Leone's economic growth is essential for the country's commitment to evidence-based decision-making, resource allocation optimization, and the promotion of resilient, inclusive, and sustainable economic growth. The population's overall well-being is improved, and efforts are better coordinated toward reaching long-term development goals. As a result, research into how the private sector might promote economic growth is essential. Consequently, there is a lack of thorough study regarding the private sector's contribution to Sierra Leone's economic development (Lin, 2011; Lin, 2012).

As a participant in development, the private sector is given increased prominence. Its pattern is disputed despite its being an undisputed finding. Development players, including the private sector, are trying out the construction of links between business and global development. While this is happening, there is still discussion on ensuring a business justification is compatible with development goals. Additionally, the existing development cooperation practice and policy are denoted by this straddling. A proactive role for business in development cooperation is being actively cut out by multilateral and bilateral development agencies, non-governmental development organizations (NGDOs), and companies. The legitimacy, effectiveness, and efficiency of the private sector as a development agent are still debated. One can quickly lose sight of the forest for the trees in the multitude of private sector-related strategies and modalities currently in use and emerging, as well as in the questions and criticisms surrounding these laws and practices (Lin, 2012; Danida, 2014).

Literature Review on the Role of the Private Sector in the Economic Development of Sierra Leone

The Effect of Foreign Direct Investment on Economic Growth in Sierra Leone: Brima and Brima (2017) claim that they looked at the effect of FDI (foreign direct investment) on economic growth, emphasizing the function of the private sector. The association between FDI inflows and GDP growth was discovered to be favorable and statistically significant. The study also clarified that the private sector was a critical middleman in converting FDI into economic growth. These empirical results demonstrated that, primarily because of the catalytic influence of the private sector, an increase in FDI was associated with a significant rise in GDP growth.

Private Sector-Led Growth in Sierra Leone

Drivers and Constraints: The World Bank analysis looked at the factors influencing and impeding Sierra Leone's private sector-led growth. It identified critical factors, including enhancing the business environment, access to financing, and investing in human capacity. The research also noted corruption, poor infrastructure, and regulatory restrictions. According to the report, a thriving private sector can be a key driver of job creation. It also points out that inadequate infrastructure and restricted access to capital could limit the sector's capacity to generate employment (Lin, 2012).

Poverty Reduction in Sierra Leone

The Role of the Private Sector: This study evaluated the private sector's contribution to reducing poverty in Sierra Leone. To reduce poverty in a sustained way, it was discovered that the private sector must be vibrant and expanding. The study showed that the private sector may help reduce poverty by generating chances for employment and income (Lin, 2015).

Reducing Poverty: According to actual data, communities with a more substantial private sector presence typically have lower poverty rates. As part of the endeavor to reduce poverty, policies that encourage private sector expansion were also deemed essential. Furthermore, empirical research repeatedly shows a link between the actions of the private sector and Sierra Leone's economic expansion. A thriving private sector is linked to better GDP growth rates, more employment possibilities, and a decline in poverty rates. It's crucial to remember that obstacles like restricted access to credit, legal restrictions, and infrastructure gaps may hinder the private sector's ability to promote economic growth fully. According to World Bank research, Sierra Leone's private sector-led development faced opportunities and challenges. It recognized crucial

factors include enhancing the business climate, gaining access to cash, and investing in human resources. Limited infrastructure, regulatory obstacles, and corruption were other issues mentioned in the research (Lin, 2011; Lin, 2015).

Production of Employment: The report emphasized that a robust private sector can substantially drive job creation. Nevertheless, it pointed out that issues like poor infrastructure and restricted access to capital can limit the sector's capacity to generate jobs (Di Bella *et al.*, 2013).

Principal Forces Driving Private Sector-Led Growth

The key to fostering business growth is increasing the business climate and creating a favorable environment. This involves lowering bureaucratic barriers, ensuring that legal and regulatory frameworks are conducive to business, and fostering a stable economic climate (Di Bella *et al.*, 2013).

Financial Access: To thrive and expand, a company must ensure it has access to finance. Various tools, including better banking services, microfinance organizations, and venture capital, can help. Developing the workforce's abilities and skills is crucial; hence, human capital should be invested. Programs for education and training that give people the skills they need for the labour market can help achieve this (Lin, 2011; Lin, 2012).

Challenges to Growth Led by the Private Sector

Insufficient infrastructure a significant barrier to expanding the private sector might be inadequate or lousy infrastructure. This includes things like electricity and communication networks as well as transportation (Di Bella *et al.*, 2013).

Regulatory Obstacles: Hefty bureaucracy and excessive red tape can hinder business operations. This difficulty can be lessened by streamlining the regulatory procedures and ensuring transparency (Di Bella *et al.*, 2013).

Corruption: Both in the public and private sectors, corruption can discourage investment and erode trust. To counteract this problem, it is imperative to implement anti-corruption measures and promote transparency (Di Bella *et al.*, 2013).

Fostering MSMEs (Micro, Small, and Medium-Sized Enterprises) in Sierra Leone: The contribution of MSMEs to Sierra Leone's economy was evaluated in this paper. It was emphasized that local entrepreneurship, namely MSMEs, played a significant role in creating jobs and revenue. These businesses, though, had issues with market limitations and financing accessibility. The study highlighted the significance of aiding MSMEs to boost economic development through more significant employment, decreased poverty, and economic diversification. Furthermore, empirical evidence indicates that local entrepreneurial activity, especially MSMEs and FDI from abroad, have the potential to affect Sierra Leone's economic development positively. Economic growth can result when FDI and local business environment reforms are made together. On the other hand, local entrepreneurship has the power to diversify the economy, foster innovation, and create jobs. Still, it frequently faces difficulties that must be resolved if its full potential is to be fulfilled (African Development Bank, 2017). Sierra Leone's economic development can be significantly boosted by policies encouraging foreign direct investment and homegrown business creation. It is impossible to overstate how important the private sector is to developing nations since it helps to advance economic development. The specific role of the private sector in the economic development of low and middle-income countries (LMICs) involves considering the unique challenges and opportunities that arise in these contexts. Here's a discussion based on existing literature:

Discussion

The Private Sector's Activities

Production of Goods and Services: Private sector businesses generate a broad range of goods and services that satisfy consumer requirements and demands (Di Bella *et al.*, 2013).

Jobs: A sizable portion of employment comes from the private sector. It employs a sizable fraction of the labour force in numerous businesses and areas (Di Bella *et al.*, 2013).

Innovation and Research: To produce new goods, technologies, and services, private companies invest in research and development. This aids technology development and economic progress (Di Bella *et al.*, 2013).

Investment and Capital Development: By luring capital from people, institutional investors, and financial markets, private sector organizations play a critical role in capital development. This money is utilized for innovation, growth, and expansion (Di Bella *et al.*, 2013).

Tax Revenue Generation: Taxes on profits, property, and salaries are ways private sector companies give the government money. Infrastructure and public services are paid for using this revenue (Di Bella *et al.*, 2013).

Quality and Consumer Choice: The private sector's competitive environment produces many goods and services. Consumers can choose from various solutions depending on their interests, quality, and budget (Di Bella *et al.*, 2013).

Growth and Development of the Economy: For the economy as a whole to expand, the private sector must be vibrant and prospering. It encourages creativity, effectiveness, and production, which raises the nation's income and living. While the private sector is quite strong, it is crucial to remember this. It also needs regulation and supervision to ensure fair competition, consumer protection, and adherence to moral and legal norms. Usually, regulatory and governmental organizations are the ones who offer this. The private sector has emerged over the past 20 years as the most successful method for reducing or eliminating poverty. Private sector business helps to empower people by utilizing the methods and tenets of conventional financial systems while also increasing prospects for livelihood. By doing this, they give people the ability to save money, gain access to credit options, launch small enterprises, and have the capacity to foster community development, all of which can have an impact on how national policymakers view the availability of credit as a crucial first step in the growth of a country. It ensures that plans to introduce new technology and activities that generate income and jobs are booming. Credit facilities have become commonplace to promote private sector business prospects, particularly for women and young people. Therefore, it is unquestionably significant and deserves a great deal of attention. The formal sector accounts for over 20% of Africa's GDP and is vital to economic and social growth. Many women also labour in the unofficial sector, where their pay is inconsistent, and their access to funding to increase their productivity is, at best, limited (Di Bella *et al.*, 2013).

The agriculture industry accounts for most women's employment in the northern region of Sierra Leone. They are also engaged in the wholesale and retail marketing and distribution of everyday household goods and basic food supplies. The percentage of households headed by women worldwide is rising due to migration. In practically every region, there are women-led households; most women work in private businesses to support their families. This means that women have the entire financial burden of providing for their families' needs and their children's nutrition and education. Despite their crucial position, males in Sierra Leone have been actively engaged in entrepreneurship, particularly in small and medium-sized businesses (SMEs). Agriculture, retail, and services are just a few industries they work in. For women business owners in Sierra Leone, accessing financial resources like credit and loans has traditionally been difficult. The availability of financing for women-owned businesses has been improved (Di Bella *et al.*, 2013).

Organizations and initiatives have worked to provide training and capacity-building programs tailored for women entrepreneurs. These programs focus on skills development, financial literacy, and business management. Women's business associations and networks exist to provide support, mentorship, and networking opportunities for female entrepreneurs. These platforms offer a space for women to share experiences and learn from one another. Advocacy groups and organizations work to influence policy and regulatory frameworks to promote gender equality and women's participation in the private sector. Additionally, they might support legislation that benefits companies run by women. The initiatives aim to link female entrepreneurs with domestic and international markets. Trade shows, networking opportunities, and endeavors to promote exports might all fall under this category. By giving women access to technology and instruction in digital skills, attempts have been made to close the gender gap in the digital world. They can use technology to build their business because of this (Di Bella *et al.*, 2013).

Workplace Inclusion: Initiatives to promote gender diversity and inclusion have been made inside reputable private sector businesses. This may entail procedures for hiring, advertising, and cultivating an inclusive workplace (Di Bella *et al.*, 2013).

Contributions to Economic Growth: Sierra Leone's economy has grown and become less impoverished due to women's active participation in the private sector. Creating jobs and generating cash are crucial functions

of women-run enterprises. Noting that progress in advancing gender equality and women's engagement in the business sector is dynamic, things may have changed since my previous update. Recent publications, research, and government sources concerning women's employment in Sierra Leone's private sector should be consulted for the most up-to-date information and activities. In 1961, British colonial rule over Sierra Leone came to an end. On the west coast of Sub-Saharan Africa, in a region measuring 71,620 square kilometres (approximately 28000 square miles), is a little nation called Sierra Leone. Around 8.3 million people are living there. As reported, Sierra Leone's Human Development Index (HDI) has increased by 0.025 points, indicating a slight improvement. Sierra Leone is ranked 181 out of 195 nations and territories in the world based on its 2021 HDI score of 0.477, which places it in the low human development category. Average years of education grew by 0.9 years, but average life expectancy at birth climbed by 5.4 years, and the gross national income (GNI) per person fell by 2.8%. According to the research, the worldwide Human Development Index has dropped for the past two years, with over 90% of countries experiencing a decrease in either 2020 or 2021, wiping out all the gains made over the previous five years. However, more than 6 in 7 people worldwide reported feeling uneasy before the Covid-19 pandemic. Since then, it has had times of political unrest, including ten years of civil war (1991–2002) and an Ebola outbreak (2014-2016). These things had a significant effect on the economy (Acemoglu and Robinson, 2012; Afegbua and Adejuwon, 2012).

Agriculture: A significant section of the workforce is employed in Sierra Leone, making it a considerable industry. Numerous fruits and vegetables and rice, cocoa, coffee, and palm oil are significant crops. A sizable portion of Sierra Leone's GDP comes from the agriculture sector. It produced about 46.6% of the nation's GDP and between 60 and 70 percent of all jobs in 2019. Crop production, livestock farming, and fishing are all included in this industry (Acemoglu and Robinson, 2012).

Private Sector Contributions in West Africa

The 2019 forum aligns with the compact with Africa strategy and will focus on nations in West Africa and the Sahel, emphasizing three sectors with significant development and job creation potential: agribusiness, transport and logistics, and digital infrastructure. With 60% of the population in active employment and accounting for 35% of the region's GDP agriculture is a crucial industry in West Africa. However, West African value chains lag far behind other parts of Africa. Governments and the private sector need to work together to create robust and competitive agricultural value chains including production, processing, and distribution, which are essential stepping stones for creating jobs and raising incomes (Byiers, 2010; Byiers and Anna, 2012).

Access to transportation is essential for Africa to see social and economic change. A lack of transportation networks and infrastructure has left over 70% of rural Africans, 450 million, without internet access. In major West African and Sahelian cities, 24 and 58 percent of businesses claim transportation is a crucial barrier to their operations. It would be easier for individuals to access education, employment, services, and markets if there were improved urban and regional connectivity and greater access to adequate, environmentally friendly, safe transportation services (Akindele, 2002).

Having the youngest population in the world and being ready for a digital transformation that could alter the continent's course, Sub-Saharan Africa is also home to the most youthful population. A swift shift to the digital economy can increase productivity and provide opportunities for a populace becoming increasingly tech-adept. The continent, for instance, has the most significant rate of mobile money users, which dissolves long-standing barriers to financial inclusion and fosters entrepreneurship. Nonetheless, West Africa and the Sahel region have less developed internet infrastructure. Investments like the World Bank Group's support of the digital economy for Africa program, which aims to ensure that every man, woman, business, and government has access to digital technology by 2030, are crucial in light of this (Lin, 2011; Lin, 2012; Lin, 2014).

The World Bank Group actively assists African IDA nations in these crucial areas. A new e-agriculture project in Côte d'Ivoire, supported by the World Bank, would widen access to digital services and use digital platforms to boost agricultural productivity and market access. 6.1 million smallholder farmers, or around a fifth of the 23.7 million people in the country, will profit from the project. Through the West Africa Regional Communications Infrastructure Program, we have assisted six West African nations in becoming part of the African Coast to Europe (ACE) submarine fibre optic cable network. Due to this, more families, small businesses, and schools can now connect to higher-quality internet at a significantly reduced cost of more than half in most situations. For example, the cost of internet access at wholesale in The Gambia is now less

than one-fifth of what it was previously (Adebajo and Rashid, 2004). Additionally, a new deep-water container terminal is being built and run in the Tema Port in Ghana due to World Bank Group funding through the International Finance Corporation (IFC), the World Bank Group's arm that focuses on the private sector. In addition to supporting new jobs in the private sector, the project is anticipated to increase trade for Ghana's economy. Due to its advantageous location in Accra, the Tema Port will handle more than 90% of Ghana's container traffic. It will also act as a hub for nearby Sahelian nations, including Burkina Faso, Niger, and Mali (Addo, 2008; Ahiave, 2013). The development finance forum provides the opportunity to combine knowledge from the public and commercial sectors and work together to alter the economy of nations in the Sahel, West Africa, and beyond. IDA and the entire World Bank Group are dedicated to cooperating with our regional partners to ensure that Africa can attract private investment, produce high-quality jobs, and achieve improved development results for its citizens.

Conclusion

Eradicating poverty in most African nations will remain a complex war to win shortly, and support from the private sector and foreign aid is not dependable due to numerous unpredictability. Additionally, because many people who still live in extreme poverty do so in fragile and remote environments, it becomes harder to reach them as a result of the disparity in development between urban and rural areas. Additionally, improvement is frequently transient for individuals who have recently emerged from poverty: food shortages, economic shocks, and climate change might all too easily yoke them back into it. As we move closer to the 2030 agenda, it will be crucial to identify effective strategies to address these problems. We need to understand the major obstacles and enablers for Africa's industrial growth.

Therefore, all initiatives and policy-making processes must be iterative, cyclical, and ongoing to achieve sustainable development. A system must generate products and services continuously, maintain reasonable levels of public debt, avoid significant sectoral imbalances that jeopardize industrial or agricultural production, and have a stable level of government and external debt. More practical and creative approaches are needed to improve sustainable development. A continent at peace requires more than just a lack of hostilities and the continued existence of the private sector; it also needs accountable government, which involves transparent management of natural resources and effective service delivery while upholding human rights and the law.

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